

Inquiring Minds Topic– 6 March 2020

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National Debt and Intergenerational Discord

As we all know, but are reluctant to acknowledge, the federal debt is huge and rising fast. The economic consequences are potentially dire, with the debt crowding out private investment, placing limits on public investments in infrastructure and other important government spending, constraining federal programs for defense and other public goods, and so forth. Yet we seem powerless or at least unwilling to control federal spending or increase taxes and thereby to slow or stop the increase in indebtedness.

This paper considers the problem from a different perspective: the role that generational differences have played and continue to play in the problem. In doing so, it points to causes that may lie beneath the politics and make those problems even harder to resolve. Here are some questions to ponder:

- From the paper: “What do generations owe one another in a modern, democratic society?”
- In our own lifetimes, there has been a major shift in responsibility for caring for older generations from the family to the government. How has the growth of federal entitlement programs impacted the sense of responsibility within the family? How has the breakdown of families affected the politics of government spending?
- What about the future? The article ends by asking readers to figure out what to do: Where do we go from here? The debt is seen primarily as an issue in political economy, but the author points to sociological and cultural changes as the fundamental cause. What can be done about that? Can we resolve the debt problem without attacking the problem of the loss of the sense of responsibility?

An Anxious Fiscal Future

[RACHEL LU](#), *Law/Liberty*, 1/20/20

Thirty years from now, if the United States remains on its current fiscal course, our Federal government will hold about 100 trillion dollars in federal debt. More than a quarter of our annual GDP will be needed just to meet baseline spending commitments. A full twenty percent of that will go to interest payments. Meanwhile, a smaller and smaller share of our population will be in the workforce, even as Social Security and Medicare balloon. At some point, perhaps, we'll find it more efficient just to pair each worker with one retiree, sending the latter's medical bills directly to his or her state-assigned sponsor.

These are not (apart from the last glib prediction) the wild projections of Freedom Caucus cranks. I encountered them in Philip Klein's latest book, *Fear Your Future: How the Deck is Stacked Against Millennials, And Why Socialism Would Make It Worse*. Klein, a respected commentator on fiscal

policy, got most of *his* data from the Congressional Budget Office's 2019 projections. Naturally, financial predictions are always subject to some uncertainty, but these are as solid as something you might get from your accountant or retirement planner. Of course, it's possible that we'll find a way to alter our economic trajectory between now and 2050. We'd better hope, though, that the course-change isn't precipitated by a major fiscal crisis, which would force us to make steep sacrifices just to maintain some bare foundation of a functional economy.

Deckchairs on the *Titanic*?

If America's pension and entitlement commitments do push us into fiscal crisis, it won't be a *Titanic*-level disaster. Morally speaking, it will be worse. The captain of the *Titanic* had at least some excuse for his mismanagement. It's true that he killed more than 1500 people by crashing a large and luxurious vessel into an iceberg. The catastrophe took place on a dark night though, and he didn't know exactly where the icebergs were.

The managers of America's economy have no such excuse. We're sailing into an iceberg that everyone has seen directly ahead of us for decades. The math here is fairly straightforward and easy to understand. Since Social Security and Medicare were first created, life spans have grown considerably longer, while our birth rate has fallen. Because their generation is so large, the Baby Boomers have exercised considerable electoral power, enabling them to retain and even expand federal programs designed to support their retirement. Legions of long-lived retirees create a daunting financial burden, though. Because their own families were comparatively small, this burden is now being transferred to a much smaller group of workers, who are already struggling to establish themselves in a fairly stony economic soil. It is, as Klein argues, an "unprecedented burden" for an older generation to lay on a younger one.

We've chosen to stay the course anyway, for roughly the same reasons that some *Titanic* passengers chose to stand around on the deck of a sinking ship, even as half-filled lifeboats started rowing away. They were enjoying the music! The life boats looked drearily cold and wet! When you're comfortable and having a good time, it's easy to manufacture the hope that somehow, things really aren't so bad as all the experts say. Unfortunately, America's fiscal situation does look pretty bad right now.

Sympathy and Resentment

Klein explains with admirable clarity in this succinct, 159-page volume that sketches the dimensions of the debt problem, outlines the consequences for younger generations, and describes the political forces that have made the issue so intractable politically. His final chapter argues, with great plausibility, that our fiscal problems will get considerably worse if we imprudently decide to adopt a thick slate of new spending commitments. For a conclusion, the book includes two rebuttals to Klein's argument, written by *National Review's* David Harsanyi and Ramesh Ponnuru.

It's a lot to cover in less than 200 pages, but it's good that Klein made space for the rebuttals. They help to create an invigorating dialectic. Neither Ponnuru nor Harsanyi actually disagrees that elderly entitlements are a serious problem, but each prefers to frame the problem in a slightly different way. Harsanyi would like the young to appreciate how blessed they are to have inherited a wealth of technological innovations, along with improved health care, and increased access to universities. Beyond that though, he's just irritated with young voters, in part for electing Obama,

but even more for their fatal attraction to socialism. He's in no mood to be sympathetic to starry-eyed Bernie Bros who would bite the capitalist hand that feeds them. Ponnuru, for his part, is more sympathetic to both young and old. He agrees that Millennials and their successors will pay a price for their elders' mismanagement of the entitlement state, and he doesn't try to argue that this burden is cosmically just. Instead, he simply advises the stiff upper lip, reminding them that it is honorable and right to "honor our fathers and mothers." Obviously, Ponnuru is concerned about the potential for intergenerational bitterness to overflow into a destructive populism. He's trying to walk a delicate line, offering measured sympathy while discouraging resentment.

In short, these authors substantially agree on the fiscal questions. Their disputes are mainly about merit and moral responsibility. Which generations have been morally remiss, and how harshly should we condemn them? Who's been robbed, and who unduly benefited? These are the hard questions, especially because they point us towards a deeper one: What do generations owe one another in a modern, democratic society? We don't seem to know anymore, and that's a serious problem, even more perhaps than the national debt.

Consider this. Our current national debt actually isn't the highest it's ever been, as a percentage of annual GDP. It's currently a bit below 100%, which is high, but still lower than what we carried in the immediate aftermath of World War II, when war debt totaled about 120% of our annual GDP. Across the 1950s, we managed to bring federal debt to manageable levels. Assuming we could continue to count on a strong economy and low unemployment, we probably could still tackle the present debt problem on a reasonable timetable, without serious deprivation for any age group. Everyone knows, though, that there's no real prospect of that happening. The obstacles aren't economic, but rather political. Democrats have no taste for budget-balancing, and while the Republicans have typically made at least some noise about this, they've become America's geriatric party, pitting Baby Boomers and their parents against a more youthful Democratic base. Republican voters are happy to grumble about the left's unsustainable spending proposals, but they still want their Social Security. Reducing spending is simply impracticable for the Republicans right now, given the demands of their voters.

The reality, then, is that the problem doesn't stem from the fiscal situation as such. Our debt would likely be manageable, but for the predictable reality that older voters won't voluntarily sacrifice any of their promised benefits. If the pending crisis stemmed exclusively from historical errors, that would be one thing, but present and (anticipated) future attitudes are a constitutive part of the problem. This is a point that really needs to be raised whenever "socialism" is discussed in right-wing circles. If the old aren't willing to face up to their own intemperate spending, is it fair to castigate the young for following suit? Imagine an aristocratic family which is rapidly selling off ancestral lands and properties to support an unsustainable lifestyle. If the youth of the family recognize that their elders aren't willing to retrench, what should they do? Ideally, they would work hard and continue to make the case for reform. More realistically though, it's hard to blame them for scrambling to get their share of the short-lived largesse.

Our Fading Intergenerational Solidarity

It's a curious situation. In most periods of history, generations have been tied together through cultural and religious obligations that were understood and respected by nearly everyone. Adults were obliged to produce children, and transmit a culture and way of life to them. The young, for their part, were bound by obligations of piety, which required them to honor their elders, and to

allow themselves to be habituated and civilized. Over time, the young are initiated into society at large, and then they assume adult responsibilities. There is a symmetry to this intergenerational understanding. It's understood that no generation can fully repay the debt owed to forbears. Nevertheless, we do what we can by supporting elder adults through retirement, while paying the remaining "balance" of obligation forward to the younger generation.

What happens when the order of patronage flips, such that the young arguably owe *more* to the old than what they've received? The ancients would have found this scenario incredible; how could an older generation demand more from their children than what they've given? Admittedly, it's hard to assign a dollar value to the gift of life itself. It's also true that Boomers have weathered certain challenges with reasonable grace: the 1970s stagflation and oil crisis, the crime wave of the 70s and 80s, and the end of the Cold War. Older generations don't always get adequate credit for their management of now-forgotten crises. It's true that they now expect to receive far more in entitlements than they themselves paid in across their working lives. Still, an argument could be made for viewing their intransigence on entitlements as a kind of generational foible, which their juniors ought to shoulder with stoicism, in light of the honorable contributions Boomers have made to the American story.

It's a hard sell in an impious age. Even as I outline the argument, I can almost hear the surly "OK Boomer!" And I'm not even a Boomer. (I was born in 1980.)

The Boomers did some admirable things, but they also sowed the seeds for serious social unrest. They raised too few children, and built their politics around unrealistic expectations of continuing prosperity. In their youth they proudly flouted tradition, while their middle age was spent enjoying the benefits of global dominance: a formidable economy, a powerful military, and a sizable network of alliances. In their twilight years, they can glimpse a future in which the United States is no longer a dominant global power. They've largely responded poorly: either by rallying behind a demagogic figure who promises to "make America great again" by undercutting the very characteristics that once propelled her to greatness, or turning to politicians on the left that promise still greater profligacy. Isolationism, protectionism, and nativism have never composed the foundation of a "great" America, and Elizabeth Warren is wrong—we do not have the resources to continue on our present course.

It may not be too late. To salvage their generational legacy, Boomers need to exercise political leadership one last time and reform entitlements. They can help this ship correct course, before we hit the fiscal iceberg.

This may seem like a futile appeal, but one never knows. History is full of surprising turns. Looming crises can draw out people's ugliest impulses, or their noblest. The Boomers were raised by the so-called "Greatest Generation," which made terrible sacrifices to defeat fearsome enemies abroad. Can their children show similar resolve in tackling domestic challenges?

Given the tone of our present political conversation, a semi-informed voter could be forgiven for thinking that the federal debt problem is last year's (or rather, the last Administration's) news. It's not. Klein has done America a service by reminding us that the problem is still quite real. Read the book. Then let's get busy figuring out where to go from here.